

The Next Crisis- Reforming the New Hampshire Retirement System

Rep. Ken Hawkins (R-Bedford)

January 27, 2011

The New Hampshire Retirement System

- RSA 100-A:
 - Established July 1, 1967
 - Covers full-time Employees, Teachers, Police Officers, and Firefighters.
 - Employee contribution rates set by law.
 - Employer contribution rates make up the difference.
 - State pays 25% of employer contribution for municipal teachers, police, and firefighters.
 - Cut from 35% state subsidy during last budget.



The New Hampshire Retirement System

- Who's In It?
 - 50,500 active and vested deferred members
 - 25,800 pension beneficiaries
 - 479 participating employers

The New Hampshire Retirement System

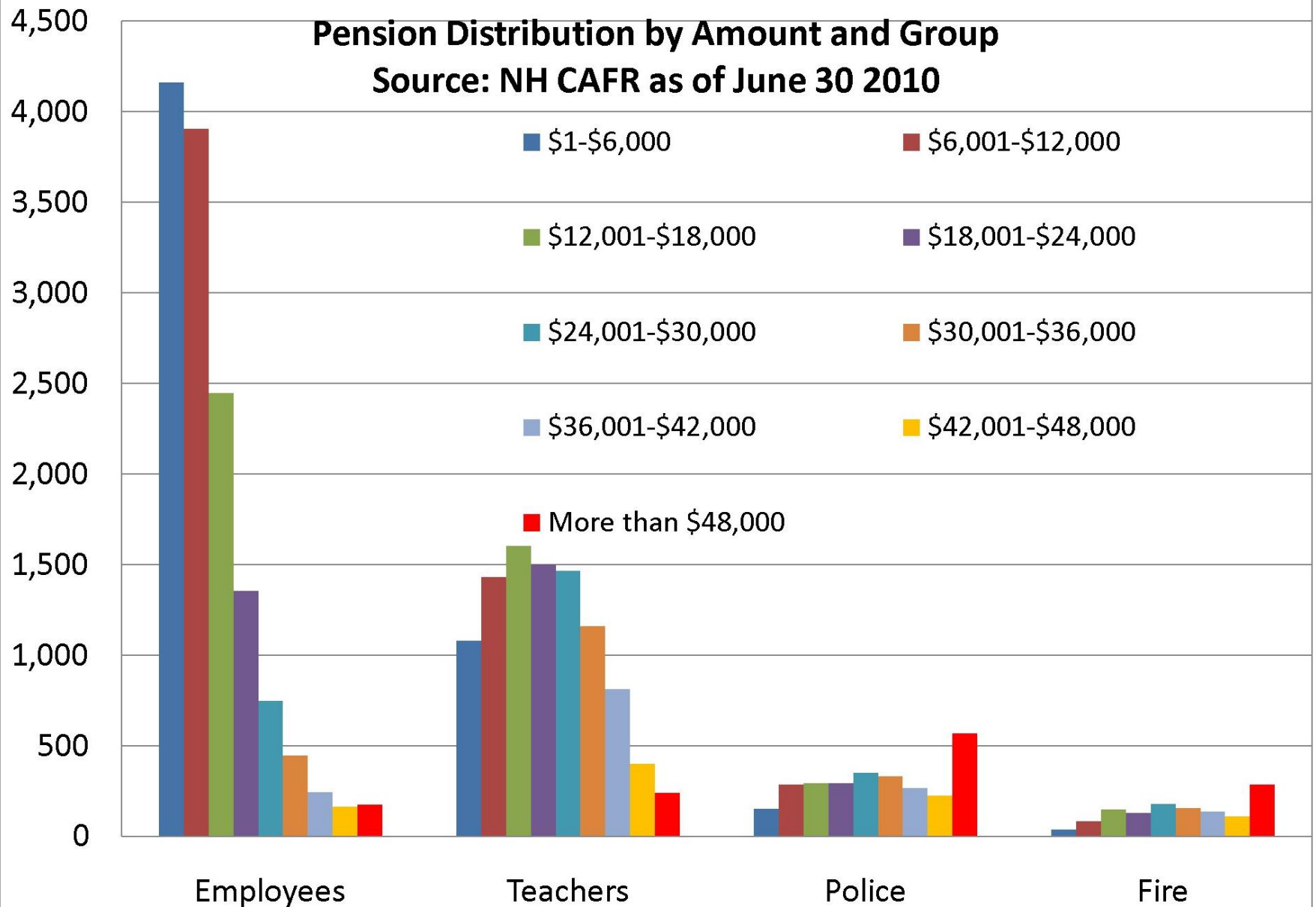
- Current Beneficiaries by Group
 - Employees- 13,638
 - Teachers- 9,688
 - Police- 2,767
 - Fire- 1,267

The New Hampshire Retirement System

Amount	Employees	Teachers	Police	Fire
\$0-\$6,000	4,160	1,078	152	39
\$6,001-\$12,000	3,905	1,432	285	84
\$12,001-\$18,000	2,446	1,603	293	147
\$18,001-\$24,000	1,354	1,501	292	129
\$24,001-\$30,000	746	1,466	352	178
\$30,001-\$36,000	446	1,159	333	157
\$36,001-\$42,000	243	813	268	138
\$42,001-\$48,000	164	398	223	110
Over \$48,000	174	238	569	285
Total	13,638	9,688	2,767	1,267

Pension Distribution by Amount and Group

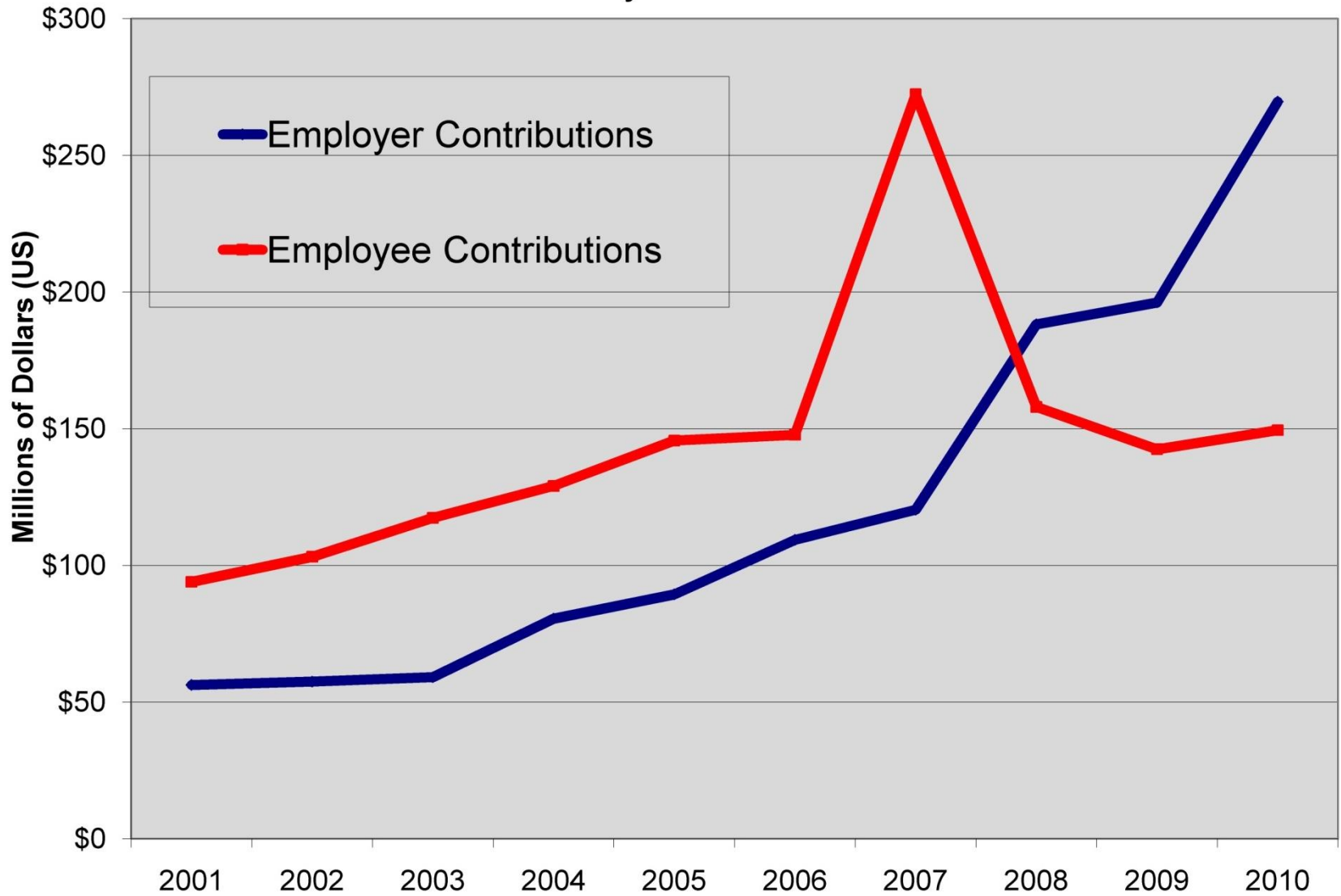
Source: NH CAFR as of June 30 2010



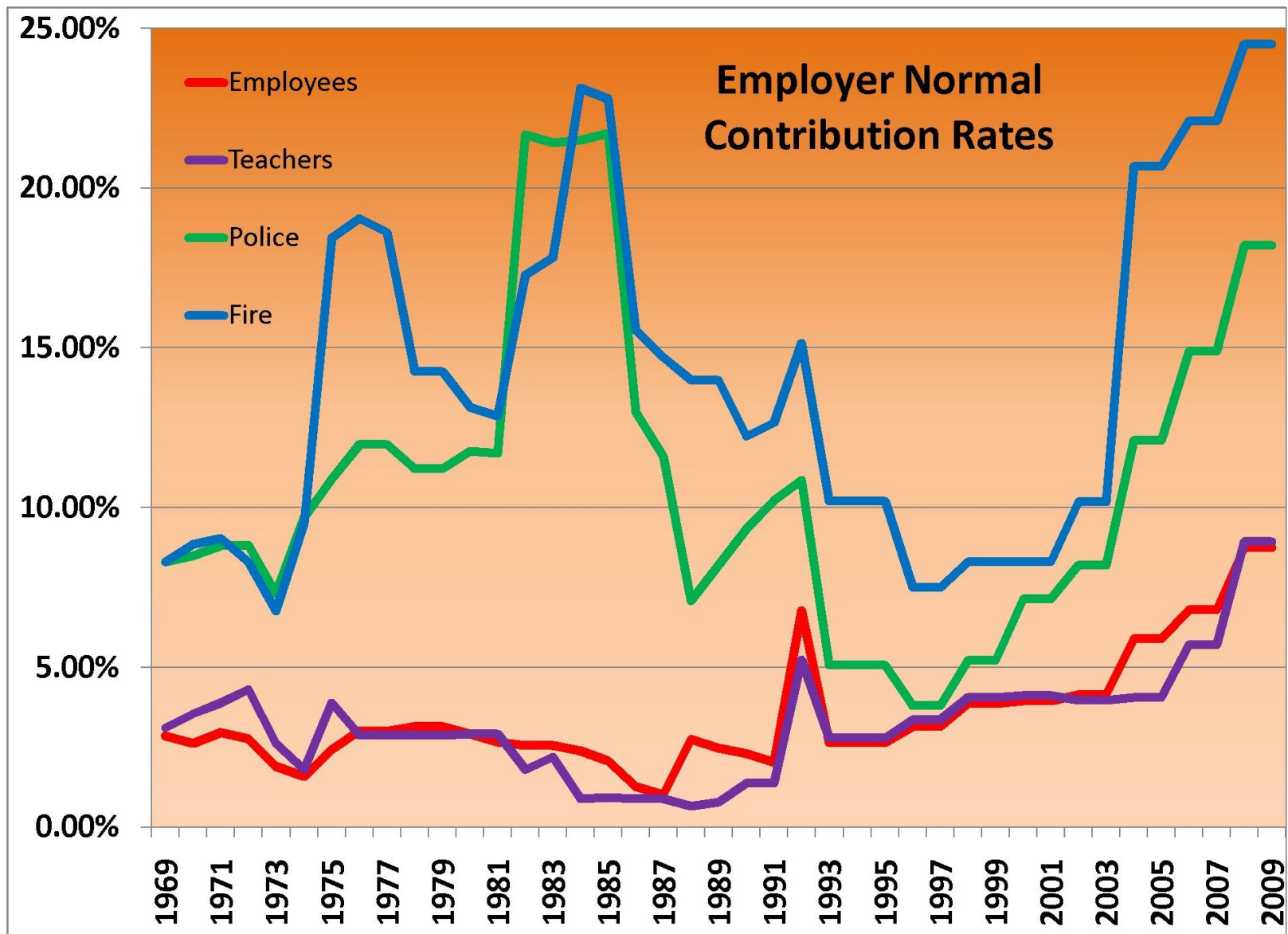
The New Hampshire Retirement System

- Pension Beneficiaries Earning \$24,000 or less:
 - Employees- 86.9%
 - Teachers- 57.9%
 - Police- 36.9%
 - Fire- 31.5%

Contributions to the State Pension System FY 01- FY 10



Employers Paid Less



How did we get here?

- Three factors led to the current NHRS unfunded liability:
 - 1) Employers paid less for years.
 - 2) The Special Account
 - 3) Open Group Aggregate

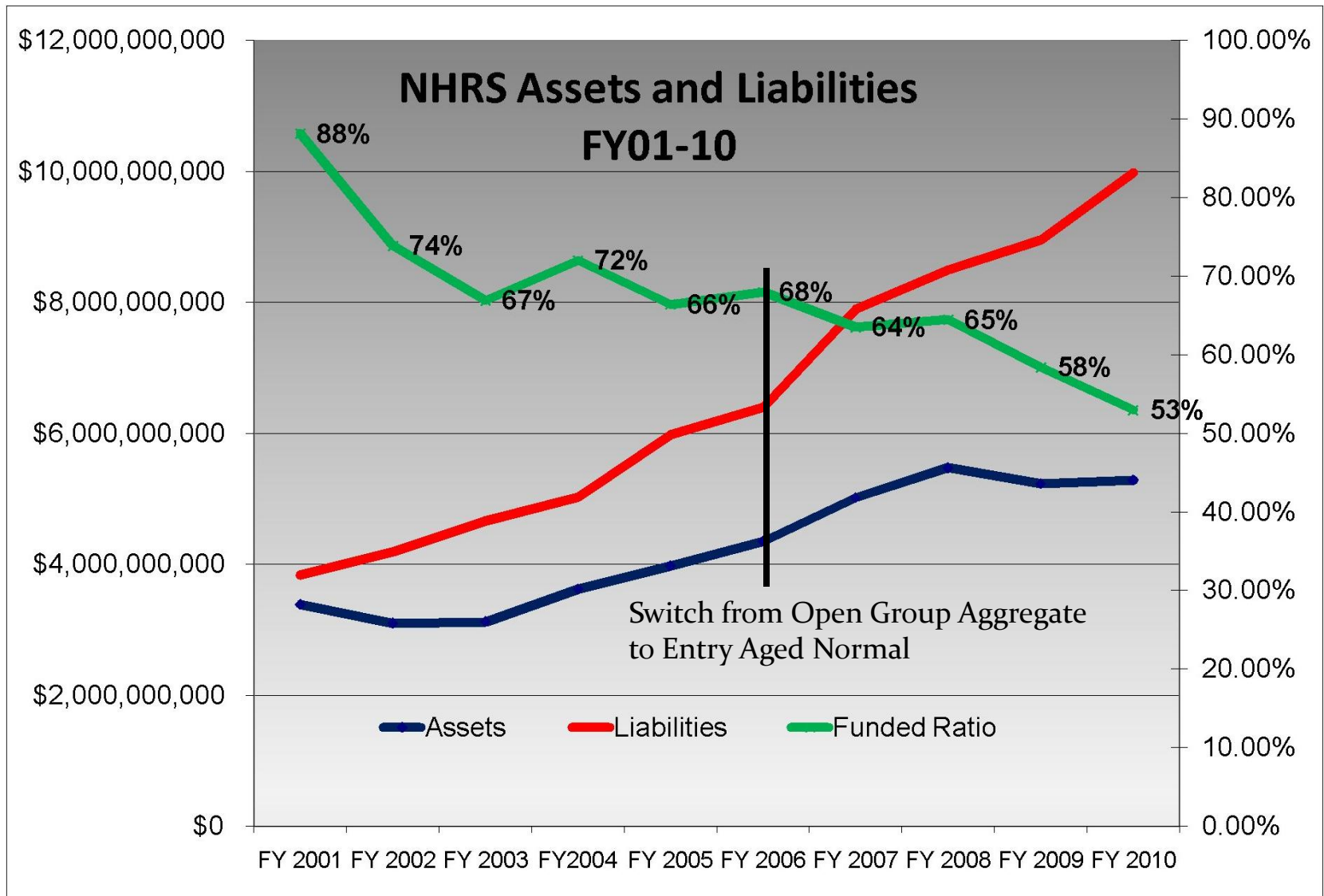
The Special Account

- NHRS assumed annual returns of 9.0%.
- Returns above 9.5% were taken out of system.
- Good years weren't able to balance out bad years.
- \$900 million taken out of system over the years.

Open Group Aggregate

- Used from 1992 to 2006 to estimate future retirement benefits.
- Kept employer contributions lower than they should have been to meet future obligations.
- Now use more accepted “Entry Aged Normal” standard.

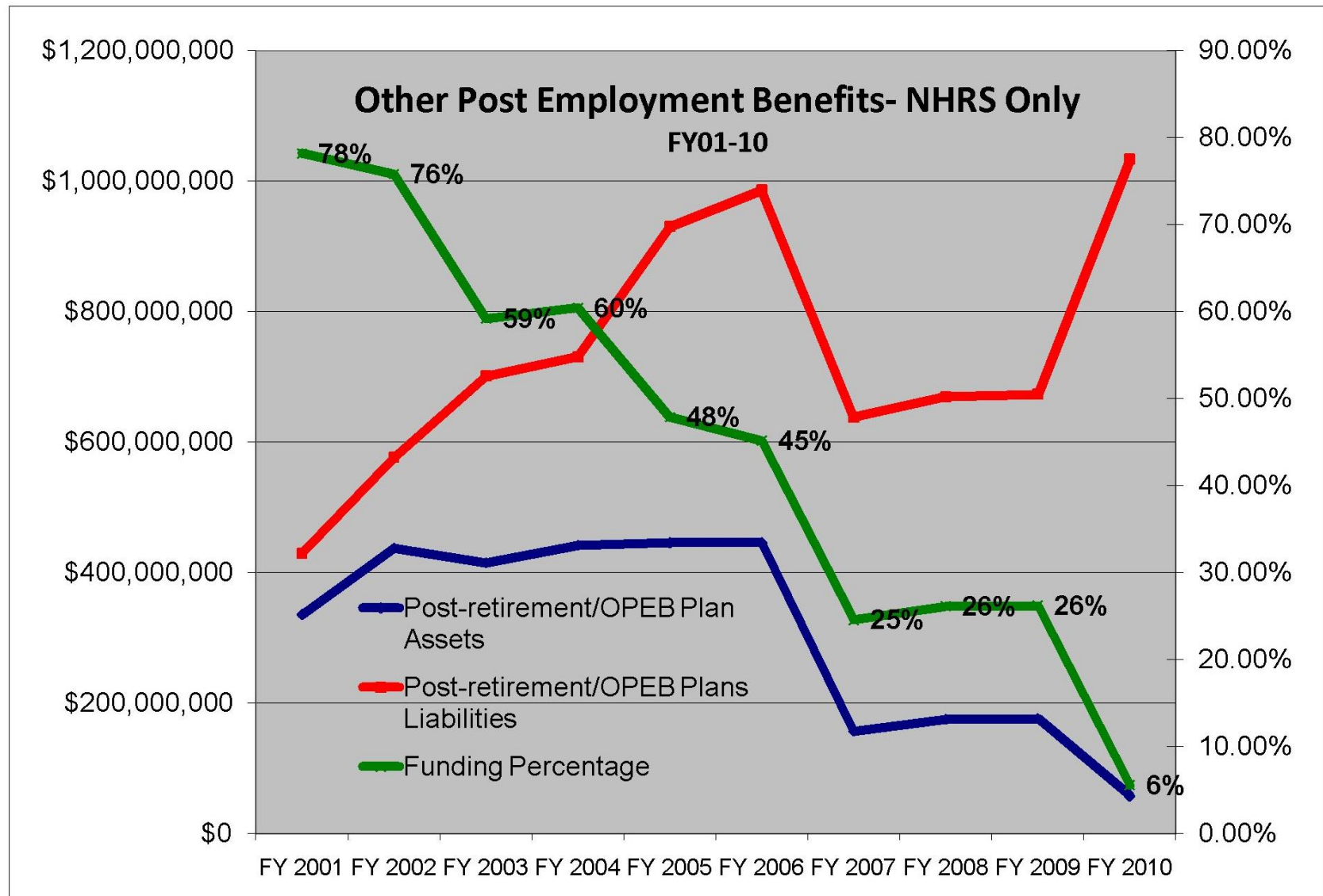
Growing Unfunded Liabilities



Funding the Gap

- Currently, any difference between what is owed and what the system can pay is made up from the employer's contribution.
- State subsidy for local retirement scheduled to go back to 35% next year.

OPEB- The other unfunded liability



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Questions?